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INFO RUEHZL/EUROPEAN POLITICAL COLLECTIVE PRIORITY

RUEHBJ/AMEMBASSY BEIJING PRIORITY 1068

UNCLAS SECTION 01 OF 02 STOCKHOLM 000625

STATE PLEASE PASS TO USTR DAVID WEINER

TREASURY FOR RON BLOOM, DAVID WRIGHT, ERIC MEYER

SIPDIS

SENSITIVE, PLEASE HANDLE ACCORDINGLY

E.O. 12958: N/A

TAGS: [KIPR](#) [EINV](#) [ETRD](#) [PREL](#) [SW](#) [CM](#)

SUBJECT: SWEDEN ASKS FOR U.S. VIEWS ON CHINESE PURCHASE OF VOLVO AND
SAAB, AND WHETHER WE'D WANT TO PRESS CHINA BEFOREHAND

This is an action request. Please see paragraph 2.

11. (SBU) Summary: During a meeting with the Ambassador, Swedish State Secretary for Enterprise Goran Hagglund described "very strong Chinese interest" in buying 100% of Volvo-cars, which is owned by Ford, and 30-40% of Saab which is owned by GM. He said his government had asked the companies to hold off any announcing any deals involving China to give the Swedish government time to talk with the Chinese government about IPR and other trade concerns (i.e. Chinese tariffs on cars imported into China.) He argued that China's eagerness to buy into these U.S. companies gave Sweden and the U.S. a limited time with leverage to press for IPR and trade-related guarantees. Hagglund asked whether the possible sales to China posed concerns for the USG, and whether we'd like to coordinate with Sweden on raising such concerns with the Chinese government. Regarding the future of the Saab sale, Hagglund said GM and the Swedish Government would have to plan future actions based on the fact that the designated Norwegian buyers Koenigsegg had been less than forthright in their dealings with GM and the Swedish government. He also briefly discussed the sale of Opel and areas for broader U.S.-Sweden cooperation. End Summary

12. (SBU) ACTION REQUEST: Please provide guidance on how Post should respond to the question of whether the USG has concerns over the possible sale of Volvo and GM to Chinese firms, and whether we'd want to join the Swedish government in raising such concerns with the Chinese government. Please also advise whether rules for USG review of foreign investments would apply to Chinese purchases of Volvo and Saab. End Action request.

Good Communication with Ford and GM

13. (SBU) On September 28, the Ambassador paid his initial courtesy call on State Secretary for Enterprise Goran Hagglund. Hagglund described the good communication and cooperation he has with Ford regarding Volvo and GM regarding Saab. He said he talks with Ford every other week, and with GM every day.

14. (SBU) Hagglund said that Ford is not in a position where it must sell Volvo, but has decided that it has no room for Volvo in its future focus on "one Ford." Despite the fact that GM is driven by economic necessity to sell Saab, Hagglund said, his government would treat both companies equally. He noted his government's position that there would be no Swedish government ownership of either company.

Koenigsegg Problems with the Saab Purchase

¶5. (SBU) The Ambassador asked about recent press reports that GM's designated buyers for Saab the Koenigseeg group of Norwegian investors might not go through with the deal due to ownership conflicts within the company. Hagglund responded that there was "some mistrust" within the Koenigseeg group, and in what Koenigseeg had been telling the Swedish government and GM. Based on the latter Hagglund said, "We need to draw our own conclusions from that about what we do in the future."

¶6. (SBU) Comment: On August 18 GM announced it had signed a deal for Koenigseeg to buy Saab, although certain financing details remained to be completed. The September 30 Swedish press reports that Koenigseeg is meeting with the European Investment Bank, which will not provide Koenigseeg as large of a loan as they need for the purchase. End comment.

Possible Chinese Purchase of Saab and Volvo

¶7. (SBU) Hagglund said discussions about Saab included possible Chinese co-ownership of 30-40% over the next year. He said there were discussions about 100% Chinese ownership of Volvo. He explained that because financing was so difficult for the purchase of any car company, "unconventional financing, which will involve China in some way" was being considered. He noted, however, that the European Investment Bank "was not keen about loans to brands owned by a Chinese company," but he did not know if they made a distinction between 100% or 30-40% ownership.

¶8. (SBU) Hagglund said his government had told GM it would be good for GM to retain part of Saab in some way for several years in order to control IPR, and as a message to Sweden and European audiences

STOCKHOLM 00000625 002 OF 002

that they are not just "letting it all away." Ministry of Enterprise Deputy Director for Research, Innovation and Industry Development Hans Pettersson, said his government had advised GM that it could be useful to keep a good eye on the business from the inside to detect any theft of IPR, and to follow up in the event of any problems.

What Does the USG Think About Chinese Ownership?

¶9. (U) Hagglund asked what USG views were on Chinese ownership or co-ownership given serious IPR concerns if these valuable companies should come under Chinese ownership. He speculated that suppliers and others might want to stop a deal for 100% Chinese ownership of Volvo due to IPR concerns. He noted that Sweden believed in free trade and open societies, "but we have to deal with real circumstances."

Would the U.S. Want to Join Sweden in Raising Concerns with China?

¶10. (SBU) Hagglund stressed how eager the Chinese government was for Chinese firms to purchase Volvo and Saab in order for China to become a major player in the global automobile trade. He argued that Chinese eagerness gave the U.S. and Sweden a limited period of leverage to press for guarantees related to our IPR trade concerns. He said the trade concerns were China's 40% tariff on foreign cars that prevents Sweden and others from importing cars into that market.

¶11. (SBU) Hagglund said he had told Ford that if China is the only option at the end, the Swedish government would like enough time before announcement of the deal so that governments could talk to the Chinese government about "some specific issues."

¶12. (SBU) Hagglund asked whether the U.S. would like to join Sweden in an approach to the Chinese government seeking guarantees related to IPR and other trade concerns.

Opel Forced to Sell to Magna?

¶13. (SBU) Discussion then turned to the Opel sale. Hagglund said he had heard that Magna was a political, rather than the economically efficient choice. He said the German Ministry of Trade had been forced to accept the sale to Magna due to the pressure of the German Parliamentary elections. Now, he said Spain, Belgium, Poland and the United Kingdom were closely watching how Germany handles the deal.

Other Areas for U.S.-Sweden Cooperation

¶14. (U) The meeting ended with discussion of possible areas for U.S.-Sweden cooperation beyond currently robust cooperation on alternative energy and clean technology. Hagglund agreed with the Ambassador that there was potential to enhance cooperation between Swedish and U.S. entrepreneurs in other areas, and said his government would be willing to introduce programs to enhance such cooperation. Specific areas of cooperation would need to be discussed further, Hagglund said, but he suggested innovation and women entrepreneurship. Hagglund said Sweden had done a considerable amount of research on women entrepreneurship, and would be pleased to share its experience with the United States.

SILVERMAN